

## **STATEMENT OF PURPOSE**

### **RS18199**

This bill disallows state income tax deductions for passive losses incurred in years in which the taxpayer was not taxable in Idaho. The Idaho Income Tax Act requires persons, other than corporations, to add back any capital loss incurred in activities not taxable by Idaho at the time the loss was incurred. Likewise, non-Idaho net operating losses are not allowed in computing Idaho taxable income. However, under current law there is no such limitation on non-Idaho passive losses carried forward into years of Idaho residency. It is inconsistent to disallow non-Idaho capital losses and net operating losses carried forward into years of Idaho residency, yet allow non-Idaho passive losses incurred in years before Idaho residency to be deducted in calculating Idaho taxable income. Such losses were non-Idaho when incurred, and should remain non-Idaho when deducted.

### **FISCAL NOTE**

Additional \$150,000 to the General Fund.

#### **Contact:**

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